MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

DFA5044 – FINANCIAL ACCOUNTING 4

(For Diploma Students Only)

29 FEBRUARY 2020
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 4 questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Part A

Tropica Bhd. was incorporated on 1 October 2018. The company invited application for its first issue of 600,000 5% preference shares at RM2.20 each, payable in full on application and 1,500,000 ordinary shares of RM1.50 on the following terms:

On application	RM0.20
On allotment	RM0.60
On 1st call	RM0.40
On 2nd and final call	RM0.30

The company received 2,300,000 applications for ordinary shares and the director decided to refund three quarter of the application monies to unsuccessful applicants and allotted the shares on pro rata basis among the remaining applicants. Any surplus money on application was used to pay up on allotment.

The 1st call was duly paid with the exception of four shareholders who held 40,000 shares each, failed to pay. There was one shareholder who held 20,000 shares paid the 2nd call money during 1st call. On the 2nd and final call, all monies due were received.

Required

(a) Prepare the journal entries to record the above transactions. (14 marks)

(b) Prepare the extract of the Statement of Financial Position after the receipt of 1st call. (3 marks)

Part B

Given below is the Trial Balance of F&F Bhd. as at 31 December 2018.

F&F Bhd. Trial Balance as at 31 December 2018		
	Debit (RM)	**Credit (RM)**
Land and building	120,000,000	
Office equipment	2,200,000	
Vehicle	1,500,000	
Account receivable	16,000,000	
Inventory	300,000	
Bank	5,045,000	
Prepaid expenses	15,000	
10,000,000 5% preference shares of RM2 each		20,000,000
65,000,000 ordinary shares of RM1.20 each		78,000,000

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Retained profit		5,300,000
Bond payable		2,460,000
Account payable		300,000
30,000,000 3% redeemable preference shares		39,000,000
	RM145,060,000	RM145,060,000

During the year, the directors resolved to redeem 40% of its redeemable preference shares at a premium of 30%. To finance the redemption, 8,000,000 ordinary shares were issued at RM1.50 each and the balance by transferring from the retained profit to contributed capital.

Required

(a) Prepare the necessary journal entries to record the transactions. (4 marks)

(b) Prepare the ledger entry for Bank and Ordinary Share Capital accounts. (4 marks)

(Total: 25 marks)

QUESTION 2

Temasek Bhd. has incurred heavy losses and has been unable to pay its shareholders' dividends for a number of years. Given below is the Trial Balance as at 31 December 2018 extracted from the books of Temasek Bhd.

Temasek Bhd. Trial Balance as at 31 December 2018		
	Debit (RM)	**Credit (RM)**
Ordinary shares of RM1.20 each		3,600,000
5% Preference shares of RM2 each		2,200,000
General reserve		550,000
Accumulated losses	3,200,000	
Trade receivables	310,000	
Inventories	250,000	
Land and building	2,200,000	
Plant and machinery	800,000	
Research and development	230,000	
Intangible asset	550,000	
Trade payables		450,500
Director's loan		652,000
Bank overdraft		110,000
Call in arrears	22,500	
(on 75,000 ordinary shares, RM0.30 each)		
	RM7,562,500	**RM7,562,500**

Continued...

Total of 3,000,000 ordinary shares have been issued and fully called up. However, calls in arrears of RM0.30 per share on 75,000 ordinary shares have not been received.

Additional information:

a. Preference dividends in arrears were RM148,000.
b. Contingent liability for damages of RM155,000 was not provided.

Temasek Bhd. passed a special resolution and the approval of the court was obtained for the following scheme of internal reconstruction:

1. Cancel the 75,000 ordinary shares which are not fully paid up.
2. Reduce the ordinary shares to RM0.40 per share. Existing shareholders agreed to subscribe for a new issue on the basis of 3 fully paid up ordinary shares for every 1 held.
3. The existing 1,100,000 5% preference shares are to be exchanged for a new issue of 1,000,000 6% preference shares of RM1.50 each and 1,750,000 ordinary shares of RM0.40 each.
4. Preference shareholders to receive 2 ordinary shares of RM0.40 each for every RM1 preference dividend in arrears.
5. General reserve to be utilised for the scheme.
6. Accumulated losses and intangibles asset are to be written off.
7. Cancel RM300,000 of director's loan. Balance is to be settled by issue of 880,000 ordinary shares at RM0.40 each.
8. Cost of reconstruction amounted to RM90,000.
9. The company's assets were revalued as follows:

	RM
Land and building	2,350,000
Plant and machinery	740,000
Research and development	180,000
Inventories	300,000
Trade receivables	290,000

10. Contingent liability materialised to the amount stated and the company settled the full amount.

Required

(a) Prepare journal entries to record the above transactions. (17 marks)

(b) Prepare the Capital Reduction account. (8 marks)

(Total: 25 marks)

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QUESTION 3

Shazz and Fizzi are the partners of Shazzy Partnership, involved in textile industry. After ten years in the industry, they decided to convert their partnership business into a company in order to expand their business and enjoy the limited liability. On 1st April 2018, the new company, Shafizz Apparel Sdn. Bhd. was incorporated to purchase all assets (excluding cash) and liabilities of Shazzy Partnership.

Shafizz Apparel Sdn. Bhd. was to discharge the purchase price by issuing 1,000,000 units of ordinary shares at RM1.20 each.

Following is the Statement of Financial Position Shazzy Partnership as at 31 March 2018.

Shazzy Partnership Statement of Financial Position as at 31 March 2018		
	(RM)	**(RM)**
Non-current Assets		
Building		730,000
Office equipment	320,000	
Less: Accumulated depreciation	(160,000)	160,000
Vehicle	180,000	
Less: Accumulated depreciation	(100,000)	80,000
		970,000
Current Assets		
Cash	44,000	
Trade receivables	54,000	
Inventories	148,000	246,000
TOTAL ASSETS		**RM1,216,000**
Owners' Equity		
Capital, Shazz	550,000	
Capital, Fizzi	350,000	900,000
Current liabilities		
Trade payables		250,000
Unearned sales revenue		66,000
TOTAL EQUITY & LIABILITIES		**RM1,216,000**

Additional information:

1. Shazz and Fizzi purchased 25,000 and 40,000 ordinary shares respectively for cash in Shafizz Apparel Sdn. Bhd. when the company was formed.
2. The fair values of the assets taken over as follow:

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	RM
Building	820,000
Office equipment	190,000
Vehicle	65,000
Trade receivables	45,000
Inventories	154,000

3. Shazz and Fizzi share profits and losses 3:1 and they agreed to accept any cash remaining as part settlement of the amount due to them on liquidation of the company (based on profit sharing ratio).

Required

(a) Calculate the purchase price and goodwill.
Shows all your workings. (4 marks)

(b) Prepare journal entries to close the book of Shazzy Partnership. (5.5 marks)

(c) Prepare journal entries to open the book of Shafizz Apparel Sdn. Bhd. (8.5 marks)

(d) Prepare the Statement of Financial Position of Shafizz Apparel Sdn. Bhd as at 1 April 2018. (7 marks)

(Total: 25 marks)

QUESTION 4

Part A

Given below are the Statement of Financial Position of Milano Bhd. and Fella Bhd. as at 31 December 2018.

Statement of Financial Position as at 31 December 2018		
	Milano Bhd. (RM)	**Fella Bhd. (RM)**
Current Assets		
Bank	250,000	90,000
Trade receivables	110,000	75,000
Inventories	88,000	62,000
Total Current Assets	448,000	227,000
Intangible Asset		
Goodwill	65,000	50,000

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Property, Plant and Equipment		
Land and building	450,000	220,000
Plant and machinery	90,000	85,000
Total Assets	RM1,053,000	RM582,000
Current Liability		
Trade payables	105,000	45,000
Non-current Liability		
5% debentures	-	110,000
Shareholders' Equity		
Ordinary shares of RM2 per share	820,000	350,000
Retained profit	128,000	77,000
Total Liabilities and Shareholders' Equity	RM1,053,000	RM582,000

Additional information:

1. Milano Bhd. is to take over all the assets (except cash at bank) and liabilities of Fella Bhd. as at 31 December 2018 at the following fair values:

	(RM)
Land and building	340,000
Plant and machinery	80,000
Trade receivables	70,000
Inventories	75,000

2. The purchase consideration consists of:
   i. 250,000 ordinary shares of RM2 per share in Milano Bhd.
   ii. RM125,000 4% debentures in Milano Bhd. to discharge the 5% debentures in Fella Bhd.
3. Milano Bhd. agreed to pay the liquidation expenses of RM15,000 upon absorption of Fella Bhd.

Required

(a) Calculate the value of goodwill based on the purchase consideration information given. *Shows all your workings.* (3 marks)

(b) Prepare the journal entries to close the books of Fella Bhd. (13 marks)

(c) Prepare the Statement of Financial Position of Milano Bhd. immediately after the absorption of Fella Bhd. (5 marks)

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Part B

(a) Briefly explain goodwill and how it is derived in business combination. (2 marks)

(b) Companies Act 2016 requires specific disclosures to be made in the financial statements. List down any **FOUR (4)** items that need to be disclosed under general. (2 marks)

(Total: 25 marks)

End of Paper